

# **Don't Fudge It – Budget!**

## **Glossary of Terms**

### **Allocation**

The process of assigning a cost (expense) to one or more objectives.

### **Allowable Cost / Expense**

A cost that the funding agency will reimburse under the terms of the grant or contract being awarded. They must be:

1. reasonable,
2. allocable to the sponsored agreement,
3. given consistent treatment appropriate w/General Accepted Accounting Principles (GAAP), and
4. conform to the limitations set forth in the agreement.

### **Applicable Cost / Expense**

Appropriate to the goals and objectives of the program.

### **Applicant**

The person or organization submitting a request to obtain funding.

### **Budget**

A budget identifies the type of expenses and revenue needed to complete the project. The budget must be approved by the funding agency. This budget will be the basis for authorizing all expenditures on the project and the basis for seeking payment (reimbursement) from the funding agency.

### **Budget Period**

The period of time during which a particular increment of funding can be expended.

### **Budget Narrative**

Text explaining the financial information presented in the budget summary, including the basis for calculating and determining each figure.

### **Budget Summary**

The sum totals, subtotaled by category, of the costs associated with the performance or implementation of a project.

### **Capital Grant**

Funding for construction or capital equipment.

### **Contract**

A written agreement that defines how a business relationship will be managed.

### **Direct Costs**

Expenditures associated with grants and contracts that are necessary for and can be specifically identified with the performance of a sponsored project, and can therefore be charged to it. In order for an expense to be eligible for reimbursement against a grant or contract as a direct cost, it must be allowable, reasonable, allocable and timely; and must meet all documentation requirements.

## **Facilities and Administrative (F&A) Costs<sup>1</sup>**

F&A refers to two broad categories of indirect costs: facilities and administrative. Each category is made up of subcategories, or “cost pools.”

- Facilities includes the depreciation of buildings and equipment, interest on debt associated with capital assets, operations and maintenance of physical plant, and for college and universities - library expenses
- Administrative includes general administration and other general expenses of the organization or institute, departmental administration, sponsored projects administration, for college and universities - student administration and services, and other types of indirect costs not listed under Facilities.

## **Federal Funding Accountability and Transparency Act (FFATA)**

The FFATA Subaward Reporting System (FSRS) is the reporting tool Federal prime awardees (i.e. prime contractors and prime grants recipients) use to capture and report subaward and executive compensation data regarding their first-tier subawards to meet the FFATA reporting requirements. Prime grant awardees will report against sub-grants awarded. Direct recipients of awards of \$25,000 or more are required to report award information on any first-tier subawards totaling \$25,000 or more. The sub-award information entered in FSRS will then be displayed on [www.USASpending.gov](http://www.USASpending.gov) associated with the prime award furthering Federal spending transparency.

## **Financial Statements**

A formal record of the financial activities of a business, person, or other entity, generally prepared at the end of a fiscal year and often audited by CPAs which includes a balance sheet and an income statement

## **Fiscal Year**

A twelve month period, for which an organization plans the use of its funds; for the Federal government, the fiscal year runs from October 1 through September 30; for the State of Maryland, the fiscal year runs from July 1 through June 30.

## **Grantee (recipient)**

The person or entity that receives funding for a particular service or activity and is accountable for the use of these funds.

## **Grantor (sponsor/organization)**

An external agency/organization that provides funding for an activity or service program.

## **Guidelines**

A set of general principles used in judging proposals.

## **Indirect Costs**

Expenditures that cannot be associated with a specific grant or contract, but are inherently needed for the support, development and maintenance of the institution in order for the project to proceed (overhead). These expenses include, but are not limited to, the maintaining of buildings, grounds and equipment, accounting services, and general administrative services.  
(F&A/Facilities and Administrative costs)

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<sup>1</sup> [http://osp.mit.edu/grant\\_and\\_contract\\_administration/facilities\\_and\\_administrative\\_costs](http://osp.mit.edu/grant_and_contract_administration/facilities_and_administrative_costs)

**Indirect Cost Recovery**

An approved amount/percentage charged to a specific project/grant to facilitate the administrative functions of the institution coordinating the program. Indirect cost recovery is generally calculated as either a percentage of direct project salary and fringe expenditures or a percentage of total direct costs minus any capital or equipment expenses.

**Letter of Support**

A letter attached as an addendum to a grant proposal from an outside agency or organization expert or supporter of the project that states why it believes the project should be funded.

**Letter of Commitment**

A letter attached as an addendum to a grant proposal from an outside agency or organization expert that not only supports the project, but also commits resources to achieve the project goal(s) and describes the roles and responsibilities of the organization and /or partner.

**Letter of Intent**

A preliminary letter requested or required by a foundation giving basic information about the nonprofit organization and describing its interest in being considered for a grant.

**Matching Funds**

The dollar amount that the grantee or other outside party agrees to contribute to the project.

**Cash Match (Hard Match)**

Cash Match is the actual accumulated funds/dollars expended and recorded in the general ledger for support of a specific grant or contract.

- All cash match must be documented and the records retained in the specific project files for audit purposes. These records must show how the values placed on the match were derived.

**In-Kind Match (Soft Match)**

In-kind contributions may consist of services, equipment, or products contributed to the enhancement of a specific project/grant. In-kind match are not usually included in the project budget, and are therefore, not recorded in the general ledger. These contributions may come from either internal or external resources.

- All in-kind match must be documented and the records retained in the specific project files for audit purposes. These records must show how the values placed on the match were derived.

**Cost Sharing**

Cost sharing is the portion of total project costs not borne by the sponsor (granting agency/organization). They are resources contributed above the support provided by the external sponsor of the project. Other terms used are matching, third party, and in-kind contributions. Cost sharing may or may not be mandatory; but should be minimized whenever possible.

Project Directors/Cost Center Managers are responsible for securing all cost-share/Match requirements. Appropriate documentation must be submitted and approved prior to the proposal's submission.

Cost sharing is recorded in an unrestricted fund, for each agreement. This fund is identified with the sponsored fund it its title and numbering system.

- Costs used to satisfy matching requirements are subject to the same policies governing allowability as the other costs under the approved budget.
- Cost share/match can be either in the form of cash or in-kind. This may also be referred to as “hard” or “soft” match, respectively.
- Due to recent changes in OMB A-21, if cost-share is mentioned in the budget narrative, but not in the budget, it **MUST** be documented.
- Cost-share listed in the narrative must also be listed and labeled cost-share in the budget.
- All cost-share or match must be documented and the records retained in the specific project file for audit purposes. These records must show how the value(s) placed on the cost sharing amounts reported to the funding agency were derived.
- Un-recovered Indirect Costs may be included as part of the cost sharing commitment only with prior approval of the awarding agency.
- **NOTE:** Federal funds **CANNOT** be used as match for other projects that involve Federal funding unless specifically approved by both funding agencies.

### **Notice of Funding Availability (NOFA)**

This notice addresses information on the program’s purpose, eligibility requirements, application deadline, award amounts, and applicable compliance requirements.

### **Payroll Taxes - Fringe Benefits**

Employer paid taxes such as social security, health & dental, long term disability, workers compensation, unemployment, and life insurance.

### **Project**

The proposed plan for which the grant funds are being requested.

### **Project Coordinator/Director/Manager**

The individual designated by the grantee to be responsible for the administration of a project including project management, submission of all required documents, communicating with the grantor and other appropriate agencies, and carrying out of all project activities.

### **Project Period**

The total time for which project activities will occur.

### **Proposal**

The formal written document identifying and defining the components and costs of a specific program or project for consideration.

### **Pre-Proposal**

The initial, rough-draft, version of the proposal.

### **Program Income**

The gross income earned by an organization that is directly generated by an activity or earned as a result of an award. Program income includes income from fees for services performed, the use or rental of real or personal property acquired under federally funded projects, the sale of commodities or items fabricated under an award, licenses fee and royalties on patents and copyrights, and interest on loans made with award funds.

### **Regulations**

Rules set by federal agencies to guide implementation of grant and other programs.

**Request for Application (RFA)**

A call for grant applications in a simpler format than RFP (Request for Proposal).

**Request for Proposal (RFP)**

A publicized announcement asking for proposals targeted at a problem or program; it lists the project specifications, application procedures, and often includes the required forms.

**Revenue**

Money collected from various sources to support your organization or program.

**Scope of Work**

Part of a contract detailing the range of work to be completed by the grantee.

**Sub-grantee (sub-recipient)**

A recipient of pass-through funds from a grantee and not directly from the grantor. The sub-grantee is accountable to the grantee for the use of funds provided.

**Supplant**

To deliberately reduce or reallocate state, local or agency funds because of the existence of the federal funds. Federal funds must increase or supplement the funding available for the activities. Grantees must maintain a level of state, local or agency financial support that is equal to or greater than the level prior to receiving the federal funds. Any potential existence of supplanting will require documentation to establish that the reduction in financial support was not due to the receipt of federal funds. (As defined on Governor's Office of Crime Control and Prevention – GOCCP website)

**Unallowable Cost**

A cost (expense) for which a funding agency will not reimburse.

**Vendor**

A dealer, distributor, merchant or other seller providing goods or services that are required for the conduct of a program. These goods or services may be for an organization's own use or for the use of beneficiaries of the grant program.